



Committee on **HOMELAND SECURITY**

Chairman Michael McCaul

Opening Statement

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Media Contact: Charlotte Sellmyer
(202) 226-8417

Statement of Subcommittee Chairman Jeff Duncan (R-SC) Subcommittee on Oversight and Management Efficiency

“DHS Acquisition Practices: Improving Outcomes for Taxpayers Using Defense and Private Sector Lessons Learned”

Remarks as Prepared

The purpose of this hearing is to examine DHS’s acquisition practices to determine if the Department is effectively implementing its policies and to assess whether DHS could better leverage best practices and lessons learned from DOD and the private sector. Before we begin, I’d like to express my sincere sympathy and prayers for the victims and families of those involved at the shooting at the Washington Navy Yard. Our hearts go out to those who lost loved ones and those injured. I now recognize myself for an opening statement.

The Department of Homeland Security’s acquisitions programs have major implications for the American taxpayer as they represent hundreds of billions of dollars in current and future costs. As DHS looks to improve acquisition outcomes, it’s critical to examine lessons learned from the Department of Defense (DOD) and the private sector. Although DOD is by no means perfect, the Government Accountability Office (GAO) has found more DOD programs are meeting cost and performance metrics and 90% of major defense acquisition programs have conducted analyses that have resulted in cost savings. The private sector also knows how to create successful acquisition strategies through innovation and leadership.

DHS could use many of these principles. The Department plans to spend about \$170 billion on major acquisition programs to develop new systems to protect the U.S. border and critical infrastructure, improve disaster response, and secure cyber infrastructure, among other important missions. Since 2005, however, GAO has placed DHS Acquisition Management activities on its “High-Risk List” for poor management that results in programs coming in late, costing more, and doing less than envisioned.

Programs such as the Secure Border Initiative Network and the Coast Guard’s Deepwater program continue to haunt DHS leaders as examples of colossal acquisition failures. DHS has taken several positive steps since these failures to improve. Instituting the Office of Program Accountability and Risk Management (PARM), issuing an acquisition policy with several key program management practices, and developing a way to synthesize cost,

schedule, and performance data for senior decision makers are all positive steps forward by DHS. These initiatives have taken a great deal of effort by DHS; I commend them for their hard work.

Nevertheless, while it is important to have the right policies and processes in place, those alone are not enough to ensure good program management. Policies and processes mean nothing if they are not followed. Unfortunately, GAO has found that DHS routinely violated its own policies. Specifically, DHS often allowed acquisition programs to move forward without DHS approval of essential planning documents. More than half of the DHS acquisition programs GAO reviewed awarded contracts without DHS or component approval for key planning documents. How can DHS plan effectively if it does not know how much programs cost, when they will be completed, or what they will do?

Out of 77 major acquisition programs (those costing taxpayers more than \$300 million), GAO found that only 12 had met most of DHS's criteria for reliable cost estimates in 2011. 32 programs had none of the required documentation to measure cost, schedule, and performance. The result in 2012 was 42 programs that experienced cost growth, schedule delays or both. From 2008, the cost of 16 of these 42 programs grew from almost \$20 billion to over \$50 billion in 2011. This was an aggregate increase of 166%. What business in America could manage its finances that way and survive?

During August, I toured factories for BMW, Electrolux, and Michelin, among others, and met with numerous small business owners back home in South Carolina. You don't produce "the ultimate driving machine" or survive as a small business by mismanagement. You don't become successful in the private sector by gambling away investor dollars. DHS needs to learn from private sector best practices rather than ignore them. DHS often states these challenges are behind them, but these are not just old problems. Within this year alone, Congressional watchdogs have documented significant acquisitions problems. In March, GAO found twenty-one IT programs experiencing cost or schedule shortfalls. These programs are estimated to cost over \$1 billion.

In May, the Office of Inspector General released a report on DHS's H-60 helicopter fleet. The report described how CBP and Coast Guard failed to coordinate and found DHS-level oversight of aviation assets was "sporadic," and in some cases was "ineffective." Although the Coast Guard successfully converted 27 helicopters at a cost of about \$190 million, CBP converted only two in four years at a cost of \$44.5 million.

Also in May, GAO found that TSA did not fully follow DHS acquisition policies when acquiring its "body scanners". In August, the Inspector General released another scathing report with acquisition failures...this time on DHS radio communications. The report found DHS has mismanaged a \$3 billion dollar effort to improve the Department's radio systems. The report described how DHS lacked information on radio systems in its inventory. Over 8,000 radio items collected dust in warehouses for over a year despite radio shortages in some locations. Beyond an apathetic management approach to its radios, these examples show a total disrespect to taxpayers.

At a time when we are over \$17 trillion in debt, it is unacceptable for DHS to continue to allow such mismanagement. And yet, DHS management recently absolved numerous programs from past acquisition malpractice. In May 2013, Under Secretary Borrás directed the Component Acquisition Executives to waive the acquisition documentation requirements for the 42 major acquisition programs that were in the sustainment phase prior to 2008 when DHS's acquisition policy was issued. The 42 programs listed in this memorandum

have been allowed to proceed despite the fact that most program costs can occur during this phase thereby increasing risks to taxpayer dollars.

The memorandum includes several programs that have been highlighted by Congressional watchdogs for past failures, such as TSA's Transportation Worker Identification Credential (TWIC) and Secure Flight programs, as well as, efforts where much more work remains until completion including TSA and US Secret Service's IT modernization efforts. By condoning past mismanagement, I believe this decision allows taxpayer dollars to be put at high risk in the future. I am deeply concerned at the message this sends to program managers throughout DHS. The American people deserve better. This hearing will examine these issues in-depth.

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